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No. OFFICE OF THE CLERK

In the Supreme Court of the United States

SAP AG AND SAP AMERICA, INC.,
Petitioners,
v.
SKY TECHNOLOGIES LLC,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

The Patent Act identifies only three classes of patent owners with standing to sue for infringement: "patentee[s]," "heirs," and "assigns." This Court has repeatedly held that these three classes—unchanged since 1870—comprise the exclusive set of patent owners and that the transfer of legal title in and to a patent requires an assignment in writing. Respondent is not the original patentee, is not an heir, and has no written assignment from the original patent owner. The United States Court of Appeals for the Federal Circuit nevertheless held that Respondent had standing to sue for infringement because a non-judicial state law foreclosure "transferred" legal title to the patents-in-suit by operation of law.

Did the Federal Circuit err when it held that the Patent Act allows the states to create additional, non-statutory classes of patent owners—including "transfer[ee]s" who may take title without any writing at all?

LIST OF PARTIES AND RULE 29.6 STATEMENT

The names of the parties before the United States Court of Appeals for the Federal Circuit appear in the caption of the petition for a Writ of Certiorari.

Petitioners, SAP AG and SAP America, Inc., are publicly held companies. SAP AG is the parent corporation of SAP America, Inc. and holds more than 10% of the stock of SAP America, Inc. SAP AG has no parent corporation and no publicly held corporation holds more than 10% of SAP AG's stock.

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PETITION FOR A WRIT OF CERTIORARI

Petitioners SAP AG and SAP America, Inc. ("Petitioners" or "SAP") respectfully petition this Court for a writ of certiorari to review the decision entered by the United States Court of Appeals for the Federal Circuit in this action.

OPINIONS BELOW

The opinion of the Federal Circuit (App. 1a-16a) is reported at 576 F.3d 1374 (Fed. Cir. 2009). The Federal Circuit's order granting Petitioners permission to file this interlocutory appeal (App. at 17a-20a) is reported at 296 Fed. Appx. 10 (Fed. Cir. 2008). The July 15, 2008 opinion of the District Court (App. at 21a-30a) certifying for interlocutory appeal its June 4, 2008 opinion is reported at 2008 WL 2775487. The June 4, 2008 opinion of the District Court (App. at 31a-56a) is reported at 2008 WL 5234644. The March 20, 2008 opinion of the District Court for the Eastern District of Texas (App. at 57a-81a) is unreported.

JURISDICTION

The Federal Circuit entered judgment on August 20, 2009 (App. at 1a-16a) and entered an order denying rehearing (App. at 82a-84a) on October 28, 2009.

This Court has jurisdiction under 28 U.S.C. §1254(1). The Federal Circuit exercised jurisdiction pursuant to 28 U.S.C. §1292(b) and 28 U.S.C. §1292(c)(1). The District Court's jurisdiction was

invoked under 28 U.S.C. §1338 (exclusive federal jurisdiction in patent cases) and 28 U.S.C. §1331 (general federal question jurisdiction).

STATUTORY PROVISIONS INVOLVED

This petition concerns the statutory requirements for standing in a patent case for classes of persons other than patentees or heirs under 35 U.S.C. §154(a)(1) and 35 U.S.C. §261.

35 U.S.C. §154(a)(1) provides:

"Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, and, if the invention is a process, of the right to exclude others from using, offering for sale or selling throughout the United States, or importing into the United States, products made by that process, referring to the specification for the particulars thereof."

35 U.S.C. §261 provides:

"Subject to the provisions of this title, patents shall have the attributes of personal property.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or

any specified part of the United States.

A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage."

STATEMENT OF THE CASE

For over 200 years Congress has statutorily defined the limited classes of persons with standing to enforce a United States patent. This case presents the important question of whether these statutory classes are exemplary, and not exclusive, such that the states may create additional classes based on what the Federal Circuit explicitly determined were "public policy justifications."

According to the Federal Circuit, title to a patent can be transferred without a writing, despite the clear mandate of Section 154 of the Patent Act that only the "patentee, his heirs or assigns" may be granted a patent, the clear mandate in Section 261 that all transfers to "assigns" be "in writing," and this Court's equally clear holding from over seventy years ago that title to a patent "can pass only by assignment." *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 187 (1933). According to the Federal Circuit, the class of persons with standing to sue for patent infringement was not limited by Congress in Section 154, such that a Section 261 writing is required of all parties other than the patentee and his heirs, but instead is subject to unlimited expansion by each of the States.

The Federal Circuit could only reach this conclusion by devising a non-textual and unprecedented reading of the statutory scheme for patent ownership designed by Congress. Patents are "created by the act of Congress" and interests in them can only be acquired "[as] authorized by statute, and in the manner the statute prescribes." *Gayler v. Wilder*, 51 U.S. (10 How.) 477, 494 (1850). Starting with the Patent Act of 1790, Congress clearly defined the set of persons authorized to receive a patent grant and to sue for infringement of the monopoly granted. *See* Patent Act of 1790, ch. 7, 1 Stat. 109-112, §§1, 4 (Apr. 10, 1790) (App. at 85a-87a); *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U.S. 24, 41 (1923). Today this set of persons is "the patentee, his heirs or assigns." 35 U.S.C. §154(a)(1); *see also* 35 U.S.C. §281.

Congress has just as clearly defined the manner for passing patent ownership to assigns—"patents, or any interest therein, shall be assignable in law by an instrument in writing." 35 U.S.C. §261. This time-tested rule has remained nearly unchanged since Congress enacted it in 1836. *See* Patent Act of 1836, ch. 357, 5 Stat. 117, §11 (July 4, 1836) (App. at 89a) ("patent[s] shall be assignable in law, either as to the whole interest, or any undivided part thereof, by any instrument in writing[.]").

As this Court has noted, Congress crafted the statutory scheme for patent ownership to "surround the conveyance of patent property with safeguards resembling those usually attaching to that of land." *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 349 (1924). Such safeguards are needed for a multitude of reasons including providing public notice of patent ownership, *CMS Indus., Inc. v. L. P. S. Int'l, Ltd.*, 643 F.2d 289, 294 (5th Cir. 1981), preventing parties to patent transfers from "engag[ing] in revisionist history" by recharacterizing their actions to suit their present needs, *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093 (Fed. Cir. 1998), and protecting litigants and the courts from unverifiable claims of patent ownership. *Standard Elevator Co. v. Crane Elevator Co.*, 76 F. 767, 790 (7th Cir. 1896).

This Court has recognized the importance of Congress' statutory scheme by holding that Congress' written assignment requirement is the sole statutory mechanism for transferring legal title to a patent: "[a] patent is property, and ***title to it can pass only by assignment***." *Dubilier*, 289 U.S. at

187 (emphasis added); *see also United States v. Solomon*, 825 F.2d 1292, 1296 (9th Cir. 1987) ("[T]he necessity of a writing, like the necessity of an automobile certificate or a deed, to effect a valid transfer of a patent right has long been a matter of hornbook law."), *cert. denied*, 484 U.S. 1046 (1988). This Court has even recognized that a "debtor's interest in the patent-rights is property, assignable by him, and which cannot be taken on execution at law." *Ager v. Murray*, 105 U.S. 126, 131 (1881). The Federal Circuit, however, has embarked on a different and conflicting path—one that undermines Congress' carefully crafted statutory scheme—by holding that writings are not at all required to "transfer" patents from a debtor or any other patentee. The Federal Circuit's decision thus nullifies Congress' statutory scheme for patent ownership and replaces it with one of the Federal Circuit's devising, violating the basic separation of powers underlying our Constitutional system: "Congress expresses its purpose by words. It is for us to ascertain—neither to add nor to subtract, neither to delete nor to distort." *62 Cases v. United States*, 340 U.S. 593, 596 (1951).

The practical consequence of the Federal Circuit's decision is to create, rather than avoid, additional conflict and uncertainty regarding what the Federal Circuit itself described as "a large number of patent titles presently subject to security interests." 576 F.3d at 1381 (App. 15a). Under the Federal Circuit's reasoning in this case, purported patent owners no longer need to prove their chain of title using written assignments—they can allege transfers of title by the operation of any number of

state laws. Not only does this empower the states to define and control who may appear in federal court to enforce federal patent rights, it also creates overwhelming uncertainty and additional litigation for the federal courts. Furthermore, because the Federal Circuit's decision was based on Massachusetts' implementation of the Uniform Commercial Code ("U.C.C.") and because all claims of patent infringement are appealable only to the Federal Circuit, without this Court's intervention the Federal Circuit's erroneous decision will quickly spread to each of the fifty states. The effects of the Federal Circuit's decision are so far-reaching—indeed, even the Federal Circuit recognized the decision as "significantly" affecting the "value of patents" generally, *id.* (App. 15a)—that this case warrants this Court's review.

A. Factual background

Respondent Sky Technologies LLC ("Sky") asserts infringement of five United States patents in this lawsuit. 576 F.3d at 1376 n.1 (App. 3a n.1). The named inventors for each of the five patents-in-suit assigned all their rights in the patents-in-suit to Ozro, Inc.[1] by written instrument in the late 1990s. *Id.* at 1376 (App. 3a).

Ozro executed two separate security agreements that were ultimately consolidated with

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[1] Ozro was originally named TradeAccess, Inc. *See* 576 F.3d at 1376 (App. 3a). "Ozro" as used herein refers to TradeAccess and Ozro collectively. Ozro is a separate and distinct entity from Respondent Sky. *Id.* at 1377 (App. 5a-6a).

Cross Atlantic Capital Partners, Inc. ("XACP"). *Id.* at 1376-77 (App. 3a-5a). These agreements secured two separate loans to Ozro with security interests in all of Ozro's intellectual property, including the patents-in-suit. *Id.* (App. 4a). Both security interests included a Massachusetts choice-of-law provision. *Id.* at 1377 (App. 4a-5a).

XACP subsequently conducted a foreclosure sale of its security interests in Ozro's intellectual property by public auction. *Id.* at 1378 (App. 6a). XACP was the only bidder at the auction. *Id.* at 1378 (App. 6a-7a). Despite XACP's winning bid, Ozro did not sign any written instrument assigning legal title to any of its intellectual property—including the patents-in-suit—to XACP. *Id.* (App. 7a). Nor did XACP secure any court order compelling Ozro to assign the patents-in-suit by a written assignment.

Nevertheless, XACP assigned to Sky whatever "right[s], title, and interest" it held in the patents-in-suit. *Id.* (App. 7a) (alteration in original).

B. Proceedings before the District Court

The present controversy began when Sky filed a patent infringement suit against SAP in the United States District Court for the Eastern District of Texas. *Id.* (App. 7a).

SAP moved to dismiss Sky's case for lack of standing based on Sky and XACP's failure to secure legal title to the asserted patents by written assignment prior to filing suit against SAP. *Id.* (App. 7a). After considering SAP's motion, the District

Court requested supplemental briefing on the issue of Sky's standing. *Id.* (App. 7a). The District Court subsequently ruled that legal title to the patents-in-suit transferred from Ozro to XACP by operation of the applicable Massachusetts state law—Article 9 of the U.C.C.—following XACP's foreclosure of its security interests in Ozro's intellectual property. *Id.* (App. 7a-8a). SAP then moved for certification for interlocutory appeal to the Federal Circuit. *Id.* (App. 8a).

Finding that "substantial grounds for difference of opinion exist regarding the question of whether a transfer of title through operation of law without a written assignment may apply in situations that do not involve heirs or probate law," the District Court granted SAP's motion and certified its order for interlocutory appeal, *id.* (App. 8a), which was subsequently accepted by the Federal Circuit. *Id.* (App. 8a).

C. The Federal Circuit's opinion

Even though Section 154(a) of the Patent Act limits the grant of patent rights to just "the patentee, his heirs or assigns," and even though Section 261 declares that all patent assignments must be "in writing," a panel of the Federal Circuit held that "assignment is not the only method by which to transfer patent ownership" and that "[the] transfer of patent ownership by operation of law is permissible without a writing." *Id.* at 1380 (App. 12a).

The Federal Circuit then determined that under the applicable provisions of the U.C.C. a creditor with a security interest in a patent takes

legal title to the patent by operation of law following foreclosure. *Id.* at 1380-1381 (App. 13a). Because XACP foreclosed on its security interests in Ozro's intellectual property, including the patents-in-suit, under these provisions of the U.C.C., the Federal Circuit held that legal title to the patents-in-suit transferred from Ozro to XACP following XACP's foreclosure sale. *Id.* (App. 13a).

Based on its conclusion that Congress left open the possibility of patent transfers under state law other than assignments, the Federal Circuit rejected any conflict between Massachusetts and federal law resulting from its determination. *Id.* at 1381 (App. 15a). The Federal Circuit finally held that patent transfers other than assignments were further justified by its assessment of various "policy justifications." *Id.* (App. 15a).

REASONS FOR GRANTING PETITION

The Federal Circuit's decision in this case upsets the longstanding balance struck by Congress regarding who may invoke the substantial and exclusive powers afforded by a United States patent and who may not. Not only has the Federal Circuit ignored the plain language of the Patent Act, it has ignored this Court's well-settled precedent on the subject, all on the basis of its own policy determinations, which in fact create, rather than avoid, conflict and uncertainty for the "large number[s] of patent titles presently subject to security interests." *Id.* (App. 15a).

A. Congress and this Court have long required a "writing" to transfer patent title to persons other than patentees and heirs

The right to exclude—the monopoly—conferred by a patent is "a reward, an inducement, to bring forth new knowledge." *Graham v. John Deere Co.*, 383 U.S. 1, 9 (1966). Because this monopoly is "at odds with the inherent free nature of disclosed ideas," it is one that is "not to be freely given." *Id.* Recognizing that the States could not "make effectual provisions" to confer and control this unique right, the framers vested Congress with the power to confer both this unique right and the standing to enforce it. *See* THE FEDERALIST No. 43 (James Madison). The history of Congress' exercise of this power is critical to both an understanding of the Federal Circuit's opinion and an appreciation of the profound ramifications of this case to the continued vitality of the standing doctrine in patent cases.

The very first Congress enacted the Patent Act of 1790, ch. 7, 1 Stat. 109-112 (Apr. 10, 1790) (App. 85a-87a) ("Patent Act of 1790"). Ever since, it has been "the duty of the Commissioner of Patents and of the courts in the administration of the patent system to give effect to the constitutional standard by appropriate application, in each case, of the statutory scheme of the Congress." *Graham*, 383 U.S. at 6.

In the Patent Act of 1790, Congress defined the set of persons authorized to receive a patent grant as the "petitioner or petitioners, his, her, or their Heirs, Administrators or assigns[.]" Patent Act of 1790, §1 (App. 85a-86a). Congress similarly

defined the class of people entitled to sue for infringement as "the Patentee or Patentees, their Executors, Administrators or Assigns[.]" *Id.* at §4 (App. 86a). While the first Patent Act did not address whether patent assignments had to be in writing, Congress acted in the context of the common law, and the common law required a deed—much more than a mere writing—to assign a patent: "[the] patent privilege or monopoly could not be assigned at common law, except by deed, for the reason that, being a franchise and part of the royal prerogative, it could only subsist by royal grant." *Baldwin v. Sibley*, 2 F. Cas. 534, 536 (C.C.N.H. 1858) (No. 805).

Congress' next major revision to the Patent Act's provisions regarding ownership and standing to sue for infringement occurred in 1836. Congress retained the provision that patents could be granted only to "the applicant or applicants, his or their heirs, administrators, executors, or assigns," Patent Act of 1836, ch. 357, 5 Stat. 117, §5 (July 4, 1836) (App. 89a),[2] but otherwise limited the set of persons who could sue for patent infringement to just "patentees, assignees, or [] grantees[.]"[3] *Id.* at §14 (App. 90a). Congress also imposed an explicit, statutory requirement that all assignments of patents be in writing: "every patent shall be

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[2] This change in terminology did not affect the substantive law. *De la Vergne Refrigerating Mach. Co. v. Featherstone*, 147 U.S. 209, 224-25 (1893).

[3] Grantees are a sub-class of assignees that only hold and can only enforce the exclusive rights granted by a patent within a specific part of the United States. *Moore v. Marsh*, 74 U.S. (7 Wall.) 515, 521 (1868).

assignable in law, either as to the whole interest, or any undivided part thereof, by any instrument in writing[.]" *Id.* at §11 (App. 89a).

In *Gayler v. Wilder*, this Court interpreted these provisions of the 1836 Patent Act and held that because the patent right "is created by the act of Congress; [] no rights can be acquired in it unless authorized by the statute, and in the manner the statute prescribes." 51 U.S. (10 How.) at 494. According to this Court, one could "sue in his own name for an infringement of his [patent] rights," only by obtaining an assignment "convey[ing] to him the entire and unqualified monopoly." *Id.* Such assignments "must be in writing." *Id.* at 493. Unlike the Federal Circuit, this Court drew no distinctions between unwritten "transfers" and written "assignments" of the exclusive right conferred by a patent: "Fitzgerald sets up no claim against the assignment, and to require another to complete the transfer would be mere form." *Id.* at 494.

In *Moore v. Marsh*, this Court held that Section 14 of the 1836 Patent Act permitted only patentees, assignees, and grantees to sue for patent infringement. 74 U.S. (7 Wall.) 515, 520 (1868). Before an assignee could sue in its own name, the assignee had to "hold[] by a valid assignment in writing, the whole interest of a patent." *Id.* Grantees, a sub-class of assignees who held and could enforce the exclusive right only within a part of the United States, also had to acquire their grants "in writing." *Id.* at 521.[4] Again, this Court did not

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[4] The terms "assignment," "grant," and "conveyance" in Section 261 continue to have important technical meanings in patent

distinguish between unwritten "transfers" and written "assignments" of the exclusive right, holding instead that "it is a great mistake to suppose that the assignment of a patent carries with it a transfer of the right to damages for an infringement committed before such assignment" and that "[s]ubsequent sale and transfer of the exclusive right are no bar to an action to recover damages for an infringement committed before such sale and transfer." *Id.* at 522.

In 1870, Congress again revised these sections of the Patent Act. *See* Patent Act of 1870, ch. 230, 16 Stat. 198-217, §§22, 36, 59 (July 8, 1870) (App. 91a-92a). Section 22, like the present Section 154(a)(1), stated that the persons authorized to receive a patent grant were "the patentee, his heirs or assigns."[5] *Id.* at §22, Revised Stat. §4884 (App. 91a). Section 59 continued to provide that only a "patentee, assignee, or grantee" could sue for infringement. *Id.* at §59, Revised Stat. §4919 (App. 92a). And Section 36, just like the present Section 261, continued to require written assignments of patent rights: "every patent or any interest therein shall be assignable in law, by an instrument in writing." *Id.* at §36, Revised Stat. §4898 (App. 92a). This Court's decisions interpreting these provisions and their terms are particularly significant because the consistency of Congress' language between the Patent Act of 1870 and the present Patent Act

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law. *See, e.g., In re Cybernetic Servs., Inc.*, 252 F.3d 1039, 1049-1052 (9th Cir. 2001).

[5] This change in terminology also did not affect the substantive law. *De la Vergne*, 147 U.S. at 224-25.

requires the terms in the present statute to be given the "meaning that they had in 1870." *Cybernetic Servs.*, 252 F.3d at 1048 (citing *Perrin v. United States*, 444 U.S. 37, 42 (1979)).

In *Ager v. Murray*, this Court was asked to determine whether the 1870 Patent Act permitted a creditor to take a debtor's patent rights by execution at law. 105 U.S. 126, 131-32 (1881). After observing that a debtor's patents passed by assignment to bankruptcy trustees appointed under English law and the federal Bankruptcy Act, *id.* at 128-29, this Court held that, in contrast, a debtor's patents did ***not*** pass to bankruptcy trustees appointed under ***state*** law without a separate assignment:

> an assignee in insolvency, or a receiver, of all the property of a debtor, appointed under the laws of a State, does not, by virtue of the general assignment or appointment merely, without any conveyance made by the debtor or specifically ordered by the court, acquire a title in patent-rights.
> *Id.* at 131.

This Court then held that a transfer of patent title to satisfy a debt enforceable under state law could not occur without a written assignment from the debtor: "[t]here would certainly be great difficulty in assenting to the proposition that patent and copyrights, held under the laws of the United States, are subject to seizure and sale on execution." *Id.* at 130 (quoting *Stevens v. Gladding*, 58 U.S. (17 How.) 447, 451 (1854)). State law creditors, like state law bankruptcy creditors, needed a written

assignment to obtain a debtor's patent rights: "[t]he debtor's interest in the patent-rights is property, assignable by him, and which cannot be taken on execution at law." *Id.* at 131. Because Congress required written assignments to transfer patents, this Court permitted a trustee to be appointed "to execute an assignment if the patentee should not himself execute one." *Id.* at 132. The Courts of Appeal and the states subsequently recognized and consistently applied this rule. *See, e.g., McClaskey v. Harbison-Walker Refractories Co.*, 138 F.2d 493 (3d Cir. 1943); *Newton v. Buck*, 77 F. 614 (2d Cir. 1896); *Wilson v. Martin-Wilson Automatic Fire-Alarm Co.*, 151 Mass. 515, 519 (1890); *Peterson v. Sherriff of San Francisco*, 115 Cal. 211, 213 (1896). In interpreting the analogous written assignment provision for the transfer of registered federal trademarks in the Lanham Act, 15 U.S.C. §1060(a)(3) ("Assignments shall be by instruments in writing duly executed"), federal courts also follow this rule. *See, e.g., In re Roman Cleanser Co.*, 43 B.R. 940, 948 n.4 (Bankr. E.D. Mich. 1984), *aff'd*, 802 F.2d 207 (6th Cir. 1986); *In re C.C. & Co.*, 86 B.R. 485, 487 (Bankr. E.D. Va. 1988).

Ten years after *Ager*, this Court was again called upon to interpret the Patent Act's written assignment requirement in *Waterman v. Mackenzie*, 138 U.S. 252 (1891). In *Waterman*, this Court held that the monopoly granted to "the patentee, his heirs and assigns" was "one entire thing" that could not be divided except as authorized by Congress. *Id.* at 255. Because of the written assignment requirement imposed by Congress, only three divisions of the

monopoly transferred sufficient rights in a patent to confer standing to sue for infringement:

> (1) the whole patent, comprising the exclusive right to make, use, and vend the invention throughout the United States; or (2) an undivided part or share of that exclusive right; or (3) the exclusive right under the patent within and throughout a specified part of the United States.
> *Id.* (citing Patent Act of 1870, ch. 230, 16 Stat. 198-217, §36, Revised Stat. §4898 (July 8, 1870) (App. 92a)).

Making no special distinction between unwritten "transfers" and written "assignments," this Court held that "a transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers." *Id.*; *see also Oliver v. Rumford Chem. Works*, 109 U.S. 75, 82-83 (1883) (noting that an "assignment" involves a transfer of a patent's title). And any such "assignment" or "transfer" by the "patentee or his assigns" had to be "by instrument in writing[.]" *Waterman*, 138 U.S. at 255; *see also Newton*, 77 F. at 616 ("without an assignment such as the statute requires to effect the transfer of a patent interest, [] title remain[s] in the prior owner"). This Court, in contrast to the Federal Circuit, held that all others were, at most, licensees and lacked standing to sue for patent infringement. *Waterman*, 138 U.S. at 255.

This Court's subsequent decisions continued to recognize the supremacy of Congress' scheme for

patent ownership embodied in the Patent Act. For example, in *De la Vergne Refrigerating Machine Co. v. Featherstone*, this Court held that under the Patent Act, absent a written assignment by the patentee during his lifetime, a patent "would go to the executor or administrator in trust for the next of kin." 147 U.S. 209, 221-22, 222-23 (1893). In *Allen v. Riley*, this Court held that while Congress' written assignment requirement allowed the states to enact additional "safeguard[s] [for] . . . those dealing with the assumed owner of a patent, or his assignee," 203 U.S. 347, 356 (1906), the states could never act in a way that "nullif[ied] the laws of Congress which regulate its transfer, and destroy the power conferred upon Congress by the Constitution." *Id.* at 355 (internal quote marks omitted). In *Crown Die & Tool Co. v. Nye Tool & Machine Works*, this Court held that only the set of persons specifically selected by Congress had standing to sue for patent infringement:

> [a]n infringement is an invasion of the monopoly created by the patent, and the law which defines and authorizes this monopoly confers only upon its legal owners the right to institute proceedings for its violation. These owners are ***the patentee, his assignee, his grantee, or his personal representatives; and none but these*** are able to maintain an action for infringement in a court of law.
> 261 U.S. 24, 40-41 (1923) (emphasis

added).[6]

Following *Crown Die*, in *United States v. Dubilier Condenser Corp.*, 289 U.S. 178 (1933), this Court again addressed the transfer of patent rights. In *Dubilier*, the government sought a declaration that two federal employees were required to assign their patents to the United States. *Id.* at 182. First, this Court held that the Patent Act required a written assignment to transfer title to a patent: "[a] patent is property, and ***title to it can pass only by assignment***." *Id.* at 187 (emphasis added). Then this Court looked to the nature of the employment to see whether an assignment from the patentees could be compelled. *Id.* Because the patentees were not hired to make the patented invention, this Court refused to order an assignment. *Id.* at 209. But even where the patentee was "employed to make an invention," this Court held that the employer would still need a written assignment transferring the patent. *Id.* at 187. The states continue to recognize and follow this rule. *See, e.g., Steranko v. Inforex, Inc.*, 5 Mass. App. Ct. 253, 269 (App. Ct. 1977).

Congress' present scheme for patent ownership, including the provisions regarding the persons who can receive the patent grant, who may sue for infringement, and how a patent may be transferred, remains nearly unchanged from the Patent Act of 1870. *Compare* 35 U.S.C. §§154(a)(1),

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[6] A "personal representative" is the representative of a deceased or incapacitated patent owner. *See* Patent Act of 1870, ch. 230, 16 Stat. 198-217, §34 (July 8, 1870), Revised Stat. §4896 (App. 91a); 35 U.S.C. §117.

261, 281, *with*, Patent Act of 1870, ch. 230, 16 Stat. 198-217, §§22, 36, 59 (July 8, 1870) (App. 91a-92a). As such, the Courts of Appeal, until now, have consistently followed this Court's precedent regarding the supremacy of Congress' scheme. For example, in *United States v. Solomon*, the Ninth Circuit held that Section 261 required all transfers of the exclusive right conferred by a patent to be in writing: "[T]he necessity of a writing, like the necessity of an automobile certificate or a deed, to effect a valid transfer of a patent right has long been a matter of hornbook law." 825 F.2d 1292, 1296 (9th Cir. 1987), *cert. denied*, 484 U.S. 1046 (1988); *see also Interferometrics, Inc. v. Mobile Commc'ns Holdings, Inc.*, 21 F.3d 422 (4th Cir. 1994) (unpublished) (citing and following *Solomon*, 825 F.2d at 1296).

Not only did the Ninth Circuit unambiguously hold that the Patent Act required a writing to transfer patent rights, the Ninth Circuit also rejected the contention that state partnership law could operate to transfer patent rights without an assignment:

> [T]he trial court determined, as a matter of law, that a valid assignment of a patent to become operational as limited partnership property required a writing. The court stated: "in the context of an assignment of a patent, they can agree verbally until the cows come home, and that patent isn't assigned until there's a writing." As a consequence, the jury was instructed that only written agreements to assign

> patents are valid. The district court was correct on the law.
> *Solomon*, 825 F.2d at 1296.

Similarly, the First Circuit recently reviewed the differences between 35 U.S.C. §261 and 35 U.S.C. §262 and held that under Section 262 "agreements" between joint inventors regarding the exercise of their joint patent rights need not be in writing. *Massachusetts Eye and Ear Infirmary v. QLT Phototherapeutics, Inc.*, 412 F.3d 215, 235 (1st Cir. 2005). According the First Circuit, Section 261 shows that Congress "knew how to insist upon a contract, and even how to specify that it must be reduced to writing." *Id.* Because an "in writing" requirement was omitted from Section 262, the First Circuit held that Congress intended to allow unwritten agreements between joint inventors. *Id.*

Furthermore, the contrast between the plain language of the Patent Act and that of the Copyright Act shows that an "operation of law" transfer provision should not be read into the Patent Act. Unlike the Patent Act, Congress explicitly provided for "operation of law" transfers of copyrights in Sections 201 and 204 of the Copyright Act:

> The ownership of a copyright may be transferred in whole or in part by any means of conveyance or ***by operation of law***, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.
> 17 U.S.C. §201(d)(1) (emphasis added).

> A transfer of copyright ownership, ***other than by operation of law***, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.
> 17 U.S.C. §204(a) (emphasis added).

Congress' omission of any similar language for the transfer of patents strongly suggests that Congress did not intend to allow transfers of legal title to patents absent a writing. *See, e.g., BFP v. Resolution Trust Corp.*, 511 U.S. 531, 537 (1994). Indeed, this Court has explicitly held that it is improper for the courts to add what Congress left out: "Congress expresses its purpose by words. It is for us to ascertain—neither to add nor to subtract, neither to delete nor to distort." *62 Cases*, 340 U.S. at 596.

B. The Federal Circuit's sudden shift is significant

Contrary to the consistent decisions of this Court, the Courts of Appeal, and the courts of the states themselves since the first Patent Act in 1790, the Federal Circuit's decision ignores Congress' scheme for patent ownership and replaces it with one of its own devising.

Ignoring this Court's binding precedent in *Crown Die* that the Patent Act defines the exclusive set of persons who may sue for patent infringement and without pointing to any statutory authority granting the right to exclude to a party other than

"the patentee, his heirs or assigns" specified in Section 154(a)(1), the Federal Circuit simply dismissed Section 154 as "not restrict[ing] patent ownership to these three classes of individuals" and not "specifically address[ing] transfers of patent ownership." 576 F.3d at 1381 (App. 14a). Similarly ignoring this Court's holding in *Dubilier* that "[a] patent is property, and title to it can pass only by assignment," 289 U.S. at 187, the Federal Circuit refused to honor Section 261's mandate: "Section 261 speaks only to assignments of patents; there exists no federal statute requiring a writing for all conveyances of patent ownership." *Id.* (App. 15a). The Federal Circuit therefore concluded that state law could operate to transfer title to a patent without any writing whatsoever. *Id.* The Federal Circuit cited no statutory authority to support its unprecedented interpretation of the Patent Act.

Whether the Federal Circuit is nevertheless correct, there is no serious debate that the answer to the question presented will significantly impact a broad swath of our innovation-dependent economy.

First, the answer matters to both the owners of the "large number of patent titles presently subject to security interests," *id.*, (App. 15a), and their creditors whose loans are secured by those security interests.

Second, the answer matters to companies confronted with a claim of infringement of any patent whose chain of title was subject to a security interest of any point in time, especially where, as here, the damages claimed for infringement exceed $100 million.

Third, the answer matters to bona fide patent purchasers. In Section 261, Congress has provided that an "assignment, grant or conveyance shall be void" against a subsequent purchaser for value that (1) had no notice of the prior "assignment, grant or conveyance"; and (2) recorded its assignment at the PTO within three months of his purchase. 35 U.S.C. §261; *see also Cybernetic Servs.*, 252 F.3d at 1050-52 (holding that assignments, grants, and conveyances fall within Section 261's writing requirement). Under the Federal Circuit's holding, however, a "transfer" by operation of state law following a creditor's foreclosure is not an assignment, grant or conveyance. 576 F.3d at 1376 (App. 2a). Not only would "transfers" automatically divest a bona fide purchaser of its patent rights, any compliance with Section 261's recording requirements would be irrelevant because Section 261's bona fide purchaser defense only applies to prior "assignment[s], grant[s] or conveyance[s]"—not the Federal Circuit's new category of "transfers."[7] Congress' scheme for the ownership of patents and the protection of bona fide patent purchasers cannot be interpreted in a way that renders it virtually meaningless.

Fourth, the answer matters to any person responsible for verifying and making representations subject to civil or criminal liability regarding the chain of title for any United States patent, including

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[7] Section 261's recording requirement does not apply to creditors who, as in this case, hold security interests because security interests are "mere licenses" rather than the assignments, grants or conveyances covered by Section 261. *See, e.g., Cybernetic Servs.*, 252 F.3d at 1052.

underwriters, accountants, and due diligence advisors. The Federal Circuit's decision upends the certainty of a chain of title evidenced by assignments in writing and exposes any such chain to an undocumented, unknown transfer by operation of the law of one or more of each of the 50 states.

Fifth, the answer matters no less to Congress, which expects and ultimately requires the courts to apply its unambiguous statutes rather than substitute their own policy preferences. Congress has spoken with uncommon clarity in declaring that only patentees, heirs and assigns may hold title to a patent. It did not in any way leave the door open for a fourth class of persons—"transfer[ee]s"—to be created upon a state's whim.

Finally, the answer should matter to this Court, which should reasonably expect that lower courts respect its precedent that patent title may be held by "none but" the three classes of persons specified by Congress.

Only this Court's intervention can prevent the Federal Circuit's erroneous and unprecedented decision from quickly spreading across the nation. Because the Federal Circuit's "exclusive jurisdiction over appeals from all United States District Courts in patent litigation," *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 89 (1993), leaves nearly no room for the development of patent law by the other Courts of Appeals, *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 838-39 (2002) (Stevens, J., concurring), the rules applied by the Federal Circuit are "matter[s] of special importance to the entire Nation." *Cardinal Chem.*,

508 U.S. at 89. Furthermore, because the Federal Circuit's decision in this case was based on the Uniform Commercial Code, "which is the law in all 50 states and the District of Columbia," *Delaware v. New York*, 507 U.S. 490, 503-04 (1993), the effects of the Federal Circuit's decision will be so far-reaching and so unprecedented that this case warrants this Court's review.

No further developments in this or other cases will illuminate the fundamental and wide-reaching issue presented squarely here. It is ripe for a decision by this Court.

CONCLUSION

SAP respectfully urges this Court to grant its Petition for a Writ of Certiorari to correct the Federal Circuit's error before it is followed and perpetuated throughout the nation.

Respectfully submitted,

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